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SPECIAL REPORT/BY DANIEL DROOZ

THE CIA'S SECRET IRAN FUND

How Carter Undermined the Shah and Stopped the Money to the Mullahs

For more than a year, the CIA has been suffering in silence about Iran. First the Agency was criticized in the U.S. for not predicting the fall of the Shah and the rise of Khomeini. Next it was slammed for not foreseeing the vulnerability of the U.S. embassy in Teheran. And then to cap the insults, the Iranian "students" who took over the embassy accused the CIA not of failure but of too much "success" in interfering in Iranian affairs. Frustrated by the Administration's unwillingness to rebut the critics, CIA officials are now angrily beginning to get out their own side of the story. Reports that the CIA did indeed warn of the danger to the embassy have already appeared in the media. But in the atmosphere of bitterness, agents are also telling the details of a far more extraordinary CIA enterprise.

According to these accounts, from 1953 to 1977 millions of CIA dollars were used to subsidize Iran's Islamic religious affairs in an effort to maintain support for the Shah among the nation's ayatollahs and mullahs. The payments were ended in 1977—at the direction of Jimmy Carter—despite CIA warnings that the cutoff would undermine the Shah. The religious upheaval that spread in the months thereafter ended in February, 1978, when the Iranian monarch was forced out.

Details of the heretofore secret series of events were provided by six agents, former agents and intelligence analysts with connections in Teheran, the U.S. State Department and the White House. According to the sources, the long history of the CIA payments began back in August, 1953. Prime Minister Mohammed Mossadeq—who two years earlier had masterminded the nationalization of the Anglo-Iranian Oil Company—had just ousted the Shah. In response, the CIA's Kermit Roosevelt (a grandson of President Teddy Roosevelt) organized counterdemonstrations that restored the Shah to the throne. In a recent history of the American intelligence system, *Armies of Ignorance*, William R. Corson reports

that Roosevelt spent \$20 million to recruit a mob of 6,000 pro-Shah demonstrators—and to buy the support of the mullahs. "Without the agreement of the Mosque, no one can rule Iran," as an intelligence consultant to Congress recently explained.

For the next decade the Shah and Iran's religious leaders coexisted more or less peacefully, while the CIA quietly sent regular payments to help support the mullahs. Then, in 1963, as part of his efforts to impose massive land reform, the Shah redistributed much of the land belonging to the Mosque—thus eliminating a prime source of income for the mullahs; he also ended Iran's traditional system of double taxation, appropriating the 20 percent of their incomes paid by Iranians to support their education and all other religious affairs.

The two moves prompted angry demonstrations—led by Ayatollah Khomeini. The army, however, backed the Shah, and the rebellion was crushed; Khomeini was exiled. To make up for some of the income he had diverted, the Shah substituted a government stipend. But 13 years later, in 1976, the earlier lessons about the power of the ayatollahs and mullahs were again ignored. The Shah cut off the stipend he had initiated in 1963.

Throughout this period the CIA's own payments to the mullahs had continued. The exact total is not known, but at least one source contends that the sum had reached \$400 million a year. That figure seems high to some CIA watchers, who note that it would account for 10-20 percent of the Agency's generally estimated budget. Some Iranian experts also doubt that so large a sum could have been distributed and remain a secret.

The money the mullahs did receive from the CIA, say the intelligence sources, was distributed through Ayatollah Kazem Shariatmadari. More moderate than some Iranian religious leaders, Shariatmadari was considered the "palace mullah" by the CIA and has long been one of Iran's most powerful ayatollahs. (It was his followers who recently clashed with some supporters of the Ayatollah Khomeini.) There are 200,000 mullahs throughout Iran, organized in a loosely hierarchical fashion ranging from local mullahs up to the ayatollahs. Money from various sources—the Shah, citizen contributions and presumably the CIA—was distributed through the religious infrastructure.

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